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MADSEN
RED LAKE GOLD
MINES,

L I M I T E D



ANNUAL REPORT
1969

Madsen Red Lake Gold Mines, Limited

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ANNUAL MEETING OF SHAREHOLDERS

Monday, April 20th, 1970, 11:00 o'clock in the forenoon
(Toronto Time), Mayfair Room —
King Edward Sheraton Hotel,
37 King Street East, Toronto, Canada.

directors

PAUL H. McCLOSKEY, M.C., B.Sc. <i>Mining Executive</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M. <i>Mine Consultant</i>	Chicago
HUGH H. MACKAY <i>Vice-President of PITFIELD, MACKAY, ROSS & COMPANY LIMITED, Stockbrokers</i>	Toronto
FOSTER W. HEWITT <i>Radio Executive, President of RADIO STATION CKFH</i>	Toronto
DONALD W. FALCONER, Q.C. <i>Solicitor and Partner in HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON.</i>	Toronto

officers

PAUL H. McCLOSKEY, M.C., B.Sc., <i>President</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M., <i>Vice-President</i>	Chicago
M. MASTERSON, <i>Secretary-Treasurer</i>	Toronto
A. A. McCLOSKEY, B.Sc., P.Eng. (Ont.), <i>Mine Consultant</i>	Toronto
K. R. NORTH, B.Sc., P.Eng. (Ont.), <i>Mine Manager</i>	Madsen
F. A. INNES, B.Sc., P.Eng. (Ont.), <i>Exploration Manager</i>	Toronto

COMPARATIVE FINANCIAL SUMMARY

	December 31	
	1969	1968
Tons milled	238,473	265,268
Ounces of gold produced	60,579.378	56,196.218
Average price of gold per ounce	\$ 37.70	\$ 37.70
Value of bullion	\$ 2,302,950.62	\$ 2,141,924.67
Operating costs	\$ 2,024,183.27	\$ 2,121,663.09
Net earnings (loss)	\$ 305,465.59	\$ (38,437.02)
Net earnings (loss) per share	\$.09	\$ (.01)
Current assets	\$ 2,888,915.76	\$ 2,629,243.92
Current liabilities	\$ 223,182.03	\$ 236,523.78
Working capital	\$ 2,665,733.73	\$ 2,392,720.14
Shares issued	3,499,528	3,499,528

MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE.....55 Yonge Street, Suite 1109, Toronto 1, Canada.
 MINE OFFICE.....Madsen, Ontario, Canada.

TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA...88 University Avenue, 5th floor, Toronto 1, Canada.
 427 St. James Street West, Montreal, Canada.
 THE BANK OF NEW YORK.....48 Wall Street, New York 10015, N.Y.

AUDITORS

GLENDINNING, JARRETT, GOULD & Co.....P.O. Box 11, Toronto-Dominion Centre,
 SUCCESSORS TO NEFF, GOODWIN & Co. Toronto 1, Canada.

LISTED

TORONTO STOCK EXCHANGE.....234 Bay Street, Toronto 1, Canada.

REPORT OF THE DIRECTORS

To The Shareholders

Your Directors submit with pleasure the Thirty-Fourth Annual Report for the year ended December 31st, 1969, including a review of operations by the Mine Manager, Mr. K. R. North, and the Auditors' Financial Statement.

OPERATING RESULTS

Production was 60,579 ounces from the milling of 238,473 tons in contrast to an output of 56,196 ounces from the milling of 265,268 tons in 1968. Average grade of ore was \$9.66 per ton compared with \$8.08 in the previous year. Bullion revenue totalled \$2,302,950.62 compared with \$2,141,924.67 in 1968. The Company received \$622,000.00 in Assistance under the Gold Mining Assistance Act compared with \$577,400.00 in the previous year.

Operating profit, including non-operating revenue, was \$414,925.30 compared with \$90,023.63 in 1968. Non-operating revenue was \$136,157.95 against \$69,762.05 in the previous year.

After deducting depreciation, net profit rose to \$305,465.59 or 9 cents per share, from a loss of \$38,437.02 or 1 cent per share in the previous year. The reversal in earnings was due chiefly to the higher grade of ore milled during the year. No income taxes were payable for the years 1969 and 1968 as a result of regulatory expense allowances and prior years' tax losses.

FINANCIAL

Net working capital of \$2,665,733.73 reflected a substantial increase of \$273,013.59 for the year 1969.

Depreciation charges on buildings and equipment were taken at the rate of 20 per cent which is unchanged from last year.

Capital expenditures were \$36,371.63 in contrast to \$15,783.16 in the year 1968.

The ten-year Financial Summary is appended to this report.

ORE RESERVE AND DEVELOPMENT

The Ore Reserve is estimated at 328,000 tons, showing a grade of 0.279 oz. per ton, equivalent to 91,597 ounces, compared with 336,700 tons, a grade of 0.270 oz. per ton equivalent to 90,921 ounces in 1968.

A substantial improvement in the Ore Reserve position resulted from development work in No. 8 zone, where crosscutting on both the 23rd and 24th levels cut ore values of mineable widths at these horizons. Diamond drilling from the 24th and 25th levels confirmed the continuity of the zone over a vertical distance of 450 feet or a slope distance of 750 feet (40° dip) below the 23rd level. The ore outline at the 24th level is estimated to contain 1,000 tons per vertical foot, grade 0.35 oz. per ton.

The favourable serpentine zone is known to extend down dip to a point 700 feet below the 25th level, and its upward extension is open above the 23rd level. Exploration and development of the zone above the 23rd level is underway.

OTHER INTERESTS

BAFFINLAND IRON MINES LIMITED — Your Company has a 19.93% interest — 662,786 shares. Previous drilling indicated 123,500,000 tons of 68.13% iron. This project remained dormant during the year but more interest has been created due to the successful voyage through the North West Passage by the 115,000-ton carrier Manhattan. Government and mining companies are becoming more aggressive in the now more accessible north.

Baffinland's management is re-examining and updating data assembled in a feasibility study completed early in 1966 with a view to its present and future application.

As a result of the Manhattan performance, it is now estimated that a single ship of 250,000-ton capacity could transport in excess of 3,000,000 tons annually from the mine to Europe.

POTASH — SASKATCHEWAN — Your Company has an equity of 76.7%. This project remained dormant during the year. Previous drilling outlined an estimated 303,203,250 tons of 27.25% K_2O equivalent. Muriate of potash (KCL) is the common commercial form of potash used as fertilizer. Management is optimistic with respect to the longer term outlook for this project.

NASS RIVER MINES LIMITED — Your Company has a 49.3% interest — 1,177,521 shares. This company was incorporated in 1966 and its original properties (molybdenite) are being allowed to lapse. An asbestos prospect in British Columbia was investigated during the year but results did not warrant further work. A prospecting program is under consideration for the year 1970.

AVA GOLD MINING COMPANY LIMITED — Your Company has a 48.7% interest — 860,300 shares. This company holds 19 patented claims in Red Lake, Ontario, marked Group 6 on the claim map appended to this report. The claims held in the Province of Quebec were dropped during the year.

OUTSIDE EXPLORATION

Outside exploration expenditures totalled \$108,581.03 in contrast to \$63,185.13 in the year 1968.

ONTARIO — GOLD

Seven holes were drilled from the ice on Snib Lake on the property of Nova-Co Exploration Ltd., in Heyson Township, Ontario, about 3 miles northeast of the Madsen shaft. No values were intersected but the extension of the favourable tuff band was cut in the easterly holes. A deep test of this formation is planned for early 1970.

ONTARIO — COPPER

Nine diamond drill holes were put down with a light drill to test anomalies disclosed by electromagnetic surveys on the 25-claim group in MacMurchy and Tyrrell Townships, Ontario. Only low copper and gold values over narrow widths were intersected in this drilling. The option covering this ground was terminated.

Magnetic and electromagnetic surveys on the 30 claims in the North Spirit area, about 100 miles north and east of Red Lake, showed several strong anomalies which will be tested with a diamond drill in 1970.

Further study and a surface examination resulted in a decision not to carry out additional work on the Shabu Lake group. The claims will be allowed to lapse.

ONTARIO — MOLYBDENUM

An option was taken on a group of 24 claims covering a molybdenum showing in the Ferdinand Lake area about 100 miles east of Red Lake. Trenching followed by diamond drilling failed to disclose economic mineralization and the option was terminated.

QUEBEC — COPPER

Five diamond drill holes on electromagnetic anomalies found on the 14 claims in Beauchastel Township, Quebec, about 11 miles west of Noranda, did not cut economic mineralization. Further geophysical work and an additional drill hole proved disappointing also and the option was terminated.

In January 1970, the company acquired a 90% interest in a 50-claim group in the Sturgeon Lake area, Ontario, about 10 miles west of the Mattagami Lake discovery. Negotiations were finalized also on a small claim group covering a copper prospect in the Red Lake area.

General prospecting was carried out in several areas in Ontario.

THE EMERGENCY GOLD MINING ASSISTANCE ACT

The Federal Government has appointed a Study Group to examine the implications of the termination of the Emergency Gold Mining Assistance Act which expires December 30th, 1970. An adverse decision would create very serious problems for our employees, staff, shareholders and the Red Lake community.

DIVIDEND

On March 10th, 1970, a dividend of 3¢ per share, amounting to \$104,985.84, was declared and will be paid on April 20th, 1970, to shareholders of record March 19th, 1970. Dividends paid to date amount to \$10,444,891.08.

INCREASE OF CAPITAL OF COMPANY

On the same date, the Board of Directors of your Company passed Special Resolution Number 2 to authorize an application for supplementary letters patent increasing its authorized capital from \$3,500,000 to \$5,500,000 by the creation of an additional 2,000,000 shares with a par value of \$1 each ranking on a parity with the existing shares of the Company. The Special Resolution is subject to the confirmation by the shareholders of the Company. Such increase in capital is deemed by your Directors to be in the best interests of the Company. There is no present intention of utilizing the increase other than to set aside 100,000 shares under a Stock Option Plan for key employees of the Company.

GENERAL

The Directors take this opportunity to express their appreciation to all the employees for their loyal and efficient services rendered to the Company during the year.

Respectfully submitted on behalf of the Board,

P. H. McCLOSKEY,
President.

Toronto, Ontario,
March 10th, 1970.

NORTHWEST PASSAGE—A REALITY



① Company's producing gold mine.
Rate — 800 tons per day.
Madsen, Ontario.

② Baffinland Iron Mines Limited.
123,500,000 tons of 68.13% Iron.
Northwest Territories.
Company's equity — 19.93%.

③ Esterhazy, Saskatchewan.
303,203,250 tons of 27.25% Potash.
Company's equity — 76.7%.

The "Northwest Passage", the dream of explorers through generations, became a reality in 1969 and opened up tremendous potentialities in the shipping of oil and other natural resources.

Under a project sponsored by Humble Oil, the 115,000-ton tanker U.S.S. Manhattan in September, 1969, was navigated through the ice-filled waters of Canada's Arctic to Prudhoe Bay, Alaska. The successful experiment indicates a most important new water trade route close by Baffin Island.

U.S.S. Manhattan's historic voyage has great significance for Baffinland Iron Mines Limited in which Madsen Red Lake Gold Mines, Limited has a 19.93% interest. It brings within much easier reach of world markets the rich iron ore deposit of Baffinland Iron Mines and could well simplify the economics of bringing into commercial production this major iron ore deposit.

MADSEN RED LAKE GOLD MINES,
LIMITED

REPORT OF THE MINE MANAGER

The President and Directors,
Madsen Red Lake Gold Mines, Limited,
1109 - 55 Yonge Street,
Toronto 1, Ontario.

Dear Sirs:

The Thirty-Fourth Annual Report, covering the operations for the year ended December 31st, 1969, is submitted for your consideration.

PRODUCTION

The following figures show the production for 1969 and comparable figures for 1968:

	1969	1968
Ounces of Gold	60,579.378	56,196.218
Ounces of Silver	10,133.04	10,095.74
Gross Value of Bullion	\$ 2,302,950.62	\$ 2,141,924.67
Average Price Gold/oz.	\$ 37.70	\$ 37.70
Average Price Silver/oz.	\$ 1.91	\$ 2.30

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$622,000.00 or \$10.27 per ounce compared with \$577,400.00 or \$10.27 per ounce in 1968.

OPERATING COSTS

			1969		1968	
Tons Milled			238,473		265,268	
Ounces Produced			60,579.378		56,196.218	
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per Ton Milled	Per Ounce
Property Exploration	\$ 32,632.77	\$ 0.137	\$ 0.539	\$ 37,691.38	\$ 0.142	\$ 0.671
Mine Development	322,199.28	1.352	5.318	260,054.65	0.980	4.628
Mining	1,172,853.19	4.918	19.361	1,265,238.10	4.770	22.514
Crushing and Conveying	68,799.82	0.288	1.136	77,880.77	0.293	1.386
Milling	370,609.79	1.554	6.118	364,154.32	1.373	6.480
General Expense	224,243.81	0.940	3.701	224,651.97	0.847	3.998
Employee Benefits	357,490.29	1.499	5.901	368,580.70	1.389	6.559
Administration Expenses	84,590.98	0.355	1.396	85,640.93	0.323	1.523
Marketing Charges	12,763.34	0.054	0.210	15,170.27	0.057	0.270
	<u>\$ 2,646,183.27</u>	<u>\$ 11.097</u>	<u>\$ 43.680</u>	<u>\$ 2,699,063.09</u>	<u>\$ 10.174</u>	<u>\$ 48.029</u>
Deduct: Estimated E.G.M.A. ..	<u>622,000.00</u>	<u>2.608</u>	<u>10.267</u>	<u>577,400.00</u>	<u>2.177</u>	<u>10.275</u>
Net Operating Cost	<u>\$ 2,024,183.27</u>	<u>\$ 8.489</u>	<u>\$ 33.413</u>	<u>\$ 2,121,663.09</u>	<u>\$ 7.997</u>	<u>\$ 37.754</u>

MINE DEVELOPMENT

The following table shows the total footage of development work completed during the year 1969, with comparable footages for 1968, 1967 and total to date:

	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>Total to Date</u>
Shaft Sinking and Station Cutting	—	—	—	5,462
Crosscutting	1,661	1,146	—	37,073
Drifting	1,432	1,876	3,108	181,264
Raising	771	1,608	1,526	75,750
Diamond Drilling (Contract)	23,813	36,736	22,659	1,965,708
Diamond Drilling (Packsack)	10,945	27,486	26,113	306,040
Surface Drilling (Contract)	nil	1,807	3,503	183,847
Draw Points	8	10	9	522

The footages of lateral development and raising completed during the year are shown by levels in the following table:

<u>Level</u>	<u>Crosscutting</u>	<u>Drifting</u>	<u>Raising</u>
8	—	89	—
16	—	38	—
20	—	—	354
22	543	55	—
23	363	132	25
24	755	1,118	371
25	—	—	21
Total	<u>1,661</u>	<u>1,432</u>	<u>771</u>

The development and exploration cost increased from \$297,746.03 in 1968 to \$354,832.05 in 1969.

ORE ZONE NUMBER EIGHT

This new ore zone located 920 feet north of the shaft was intersected on May 1st by the 24th level crosscut.

Dimensions and grade of the zone on the 24th level are: length 240 feet, true width 35 feet and grade 0.35 ounces per ton.

Ore values were intersected in diamond drill holes and mine workings over substantial widths for a distance of 750 feet down dip beginning at the 23rd level.

23rd Level Crosscut

The 23rd level crosscut was advanced 363 feet to the projected position of the zone. Quartz stringers carrying visible gold were cut in two locations separated by 30 feet of waste.

The 23rd level crosscut advance was made through a talc formation requiring close support and continual maintenance. For this reason, development for this level has been slow.

Production from the Number Eight Zone is scheduled for early 1970.

BALANCE SHEET

ASSETS

December 31

CURRENT ASSETS	1969	1968
Cash	\$ 270,026.48	\$ 292,872.23
Short term notes	1,125,197.86	789,620.27
Bullion in transit	125,962.06	124,056.57
Accounts receivable	176,659.11	55,782.34
Gold assistance receivable	202,650.58	242,787.16
Special refundable tax	1,565.06	11,348.73
Marketable securities — at cost (Market value 1969 — \$397,123.93 1968 — \$699,090.56)	484,635.95	641,575.26
Materials and supplies — at cost	472,595.13	457,779.62
Prepaid expenses	29,623.53	13,421.74
	<u>2,888,915.76</u>	<u>2,629,243.92</u>
INVESTMENTS — AT COST		
Cash on deposit	1,000.00	1,000.00
Shares in other companies	176,162.22	176,162.22
Baffinland Iron Mines Limited — 662,786 shares	549,937.25	549,937.25
	<u>727,099.47</u>	<u>727,099.47</u>
PROPERTY, PLANT AND EQUIPMENT — AT COST		
Buildings, machinery and equipment	5,974,931.40	5,947,856.86
Less: Accumulated depreciation	5,537,092.58	5,434,014.23
	<u>437,838.82</u>	<u>513,842.63</u>
Mining properties — Red Lake	1,667,211.71	1,667,211.71
	<u>2,105,050.53</u>	<u>2,181,054.34</u>
OTHER MINING PROPERTIES		
Mining claims — at cost	20,858.55	17,340.55
Deferred exploration expenditure	296,768.77	278,905.41
	<u>317,627.32</u>	<u>296,245.96</u>
	<u>\$ 6,038,693.08</u>	<u>\$ 5,833,643.69</u>

NOTES TO FINANCIAL STATEMENT

December 31, 1969

1. The aggregate direct remuneration paid to directors and senior officers of the Company was \$94,915.36 in 1969 and \$94,612.75 in 1968.
2. No income taxes are payable on the taxable part of the Company's income for 1969 due to additional allowances deductible under regulations of The Income Tax Act.



MADSEN RED LAKE GOLD MINES, LIMITED

Suite 1109 - 55 Yonge Street,
TORONTO 1, ONTARIO.

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual and General Meeting of the Shareholders of MADSEN RED LAKE GOLD MINES, LIMITED will be held in the Mayfair Room, The King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, on Monday, the 20th day of April, 1970, at the hour of 11:00 o'clock in the forenoon (Toronto Time), for the following purposes:—

- (a) to receive Reports, Financial Statements for the year ended December 31, 1969 and the Auditors' Report thereon;
- (b) to elect Directors;
- (c) to appoint Auditors and authorize the Directors to fix their remuneration;
- (d) to consider and, if thought fit, to confirm the resolution passed by the Directors on March 10, 1970 as Special Resolution Number 2 authorizing an application to the Lieutenant-Governor of Ontario for supplementary letters patent increasing the authorized capital of the Company from \$3,500,000 divided into 3,500,000 shares with a par value of \$1 each to \$5,500,000 divided into 5,500,000 shares with a par value of \$1 each by the creation of an additional 2,000,000 shares with a par value of \$1 each ranking on a parity with the existing shares of the Company; and
- (e) to transact such other business as may properly come before the Meeting

A copy of the Reports and Financial Statements to be submitted to such Meeting, together with an Information Circular are forwarded herewith.

DATED at Toronto, Ontario, this 10th day of March, 1970.

By Order of the Board,

MISS M. MASTERSON,
Secretary.

NOTE: Shareholders who are unable to attend are kindly requested to sign and return the enclosed form of proxy.

MADSEN RED LAKE GOLD MINES, LIMITED

INFORMATION CIRCULAR FOR Annual and General Meeting of Shareholders to be held April 20, 1970

This Information Circular accompanies Notice of the Annual and General Meeting of Shareholders of MADSEN RED LAKE GOLD MINES, LIMITED to be held April 20, 1970, and is furnished in connection with the solicitation by the Management of the Company of proxies for use at said Meeting. The costs of such solicitation will be borne by the Company. It is planned that the solicitation will be primarily by mail but proxies may also be solicited by regular employees of the Company. The Company may also pay to brokers their expenses for sending the material relating to the Annual and General Meeting to the beneficial owners of shares registered in the brokers' names.

A proxy in the form enclosed with the Notice of Meeting (a) confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting, and (b) may be revoked at any time before it is exercised. The shares represented by such a proxy will be voted and, where a choice is specified, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON (WHO NEED NOT BE A SHAREHOLDER) TO REPRESENT HIM AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY ENCLOSED WITH THE NOTICE OF MEETING. SUCH RIGHT MAY BE EXERCISED BY FILLING IN THE NAME OF SUCH PERSON IN THE BLANK SPACE PROVIDED IN SUCH FORM OF PROXY.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are 3,499,528 shares with a par value of \$1.00 each of the Company outstanding, each of which entitles the shareholder to one vote at any meeting of shareholders.

Only shareholders of record on April 20, 1970, the date of the Annual and General Meeting, are entitled to vote thereat. Those shareholders desiring to be represented at the said Meeting by a nominee must deposit their proxies with the Company prior to the commencement of the Meeting.

ELECTION OF DIRECTORS

The Management of the Company proposes to nominate the following persons for election as directors of the Company, to serve until the next annual meeting of the shareholders of the Company or until their

successors are duly elected or appointed, unless any such person is unable to act as a director, in which event a substitute may be nominated by the Management of the Company:—

<u>Name of Proposed Nominee</u>	<u>Other Positions and Offices with Company</u>	<u>Period Served as a Director of the Company</u>	<u>Approximate Number of Shares of the Company Beneficially Owned, Directly or Indirectly (1)</u>	<u>Principal Occupation or Employment</u>
Paul H. McCloskey	President	since 1963	171,300 (2)	President of the Company.
Howard S. Robinson	Vice-President	since 1967	11,000	Vice-President of the Company.
Hugh H. Mackay	none	since 1958	18,251	Vice-President of Pitfield, Mackay, Ross & Company Limited, Stockbrokers.
Foster W. Hewitt	none	since 1967	48,500	Radio Executive, President of Radio Station CKFH.
Donald W. Falconer	none	since 1968	1,001	Solicitor and Partner in Holden, Murdoch, Walton, Finlay, Robinson.

(1) The numbers of shares shown above are as reported by the respective nominees.

(2) P. H. McCloskey reports that his associates (as that term is defined in The Securities Act, 1966) beneficially own directly or indirectly 576,050 shares of the Company. The Estate of H. C. McCloskey and Belmar Realty Ltd. are the only associates of P. H. McCloskey whose shareholdings are substantial.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid or payable by the Company to the directors and the senior officers, ("senior officers" as defined in The Securities Act, 1966 includes the five highest paid employees of the Company) during the Company's last completed financial year was \$94,915.36.

The estimated aggregate cost to the Company in the last completed financial year of all pension benefits proposed to be paid under the Company's pension plan in the event of retirement at normal retirement age, directly or indirectly, by the Company to the directors and the senior officers of the Company was \$2,622.00.

APPOINTMENT OF AUDITORS

The Management of the Company proposes to move the appointment of Glendinning, Jarrett, Gould & Co., the Company's present auditors, successors to Neff, Goodwin & Co., the Company's former auditors, as auditors of the Company. Glendinning, Jarrett, Gould & Co. and their predecessor firms, have been auditors of the Company for more than five years.

INCREASE IN CAPITAL

The shareholders of the Company will be asked to consider and, if thought fit, to confirm the resolution passed by the Directors on March 10, 1970, as Special Resolution Number 2 authorizing an application to the Lieutenant-Governor of Ontario for supplementary letters patent increasing the authorized capital of the Company from \$3,500,000 divided into 3,500,000 shares with a par value of \$1 each to \$5,500,000 divided into 5,500,000 shares with a par value of \$1 each by the creation of an additional 2,000,000 shares

with a par value of \$1 each ranking on a parity with the existing 3,500,000 shares of the Company. In order to take effect, the resolution must be confirmed by at least two-thirds of the votes cast on the motion at the meeting.

OTHER BUSINESS

The Management of the Company knows of no matters to come before the Meeting other than the matters referred to in the Notice of the Meeting. However, if matters not now known to Management should come before the Meeting, shares represented by proxies solicited by Management will be voted on each such matter in accordance with the best judgment of the nominee voting same.

On Behalf of the Board,

MISS M. MASTERSON,
Secretary.

March 10, 1970.

MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

LIABILITIES

	December 31	
CURRENT LIABILITIES	1969	1968
Accounts payable and accrued charges	\$ 181,582.94	\$ 192,308.81
Wages payable	41,599.09	44,214.97
	<u>223,182.03</u>	<u>236,523.78</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized: 3,500,000 shares of \$1.00 each		
Issued and fully paid: 3,499,528 shares	3,499,528.00	3,499,528.00
Less: Discount on shares	1,390,160.50	1,390,160.50
	<u>2,109,367.50</u>	<u>2,109,367.50</u>

RETAINED EARNINGS	3,706,143.55	3,487,752.41
	<u>5,815,511.05</u>	<u>5,597,119.91</u>

Approved on behalf of the Board:

P. H. McCLOSKEY, Director.

H. S. ROBINSON, Director.

<u>\$ 6,038,693.08</u>	<u>\$ 5,833,643.69</u>
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AUDITORS' REPORT

To the Shareholders,
Madsen Red Lake Gold Mines, Limited.

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1969 and the statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Canada,
February 16, 1970.

NEFF, GOODWIN & CO.,
Chartered Accountants.

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF EARNINGS

December 31

	1969	1968
Bullion Production		
Gold	\$ 2,283,619.98	\$ 2,118,661.48
Silver	19,330.64	23,263.19
	2,302,950.62	2,141,924.67
Less: Marketing charges	12,763.34	15,170.27
	2,290,187.28	2,126,754.40
Operating and Administration Cost		
Mining	1,172,853.19	1,265,238.10
Crushing and milling	439,409.61	442,035.09
Mine development	354,832.05	297,746.03
Employee benefits	357,490.29	368,580.70
Management and general expense at the property	224,243.81	224,651.97
Head office expense	84,590.98	85,640.93
	2,633,419.93	2,683,892.82
Less: Estimated gold assistance	622,000.00	577,400.00
	2,011,419.93	2,106,492.82
Operating profit	278,767.35	20,261.58
Interest and other income	136,157.95	69,762.05
	414,925.30	90,023.63
Provision for depreciation	109,459.71	128,460.65
Net earnings (loss) for the year	\$ 305,465.59	\$ (38,437.02)

STATEMENT OF RETAINED EARNINGS

December 31

	1969	1968
Balance, beginning of the year	\$ 3,487,752.41	\$ 4,287,969.56
Add: Net earnings for the year	305,465.59	
Adjustment of prior years expenses	125.22	532.15
Recovery of prior years income taxes		10,193.88
	305,590.81	10,726.03
	3,793,343.22	4,298,695.59
Deduct: Net loss for the year		38,437.02
Acquisition costs and exploration expenditure on mining claims abandoned	87,199.67	39,608.92
Adjustment of prior years gold assistance		4,592.57
Prior years deferred development expenditure written off		728,304.67
	87,199.67	810,943.18
Balance, end of the year	\$ 3,706,143.55	\$ 3,487,752.41

MADSEN RED LAKE GOLD MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

December 31

Source	1969	1968
Net earnings (loss) for the year	\$ 305,465.59	\$ (38,437.02)
Add: Provision for depreciation	109,459.71	128,460.65
Deferred pension write off		18,000.00
	414,925.30	108,023.63
Proceeds from sale of equipment	2,660.86	700.00
Proceeds from sale of investments		5,490.00
Prior years adjustments	380.99	
Recovery of prior years income taxes		10,193.88
Securities and cash on deposit returned		25,290.62
	417,966.25	149,698.13
Application		
Additions to buildings and equipment	36,371.63	15,783.16
Outside exploration	108,581.03	63,185.13
Prior years adjustments		3,961.94
	144,952.66	82,930.23
Increase in working capital	273,013.59	66,767.90
Working capital, beginning of the year	2,392,720.14	2,325,952.24
Working capital, end of the year	\$ 2,665,733.73	\$ 2,392,720.14

DISTRIBUTION OF GROSS INCOME

December 31

Gross Income	1969	1968
Bullion	\$ 2,302,950.62	\$ 2,141,924.67
Interest and other income	136,157.95	69,762.05
Estimated gold assistance	622,000.00	577,400.00
	\$ 3,061,108.57	\$ 2,789,086.72
Distribution		
Materials, supplies and general operating expenses	\$ 680,588.60	\$ 709,967.84
Salaries and wages	1,461,025.67	1,478,913.63
Hydro electric power	146,078.13	136,433.24
Workmen's compensation and silicosis insurance	149,287.16	156,924.20
Holidays with pay and unemployment insurance	78,783.36	74,608.07
Pension, group insurance and medical expense	79,622.43	96,008.20
Boarding house and employees travel expense	50,797.92	46,207.91
Provision for depreciation	109,459.71	128,460.65
Net earnings (loss) for the year	305,465.59	(38,437.02)
	\$ 3,061,108.57	\$ 2,789,086.72

Our Ten Year

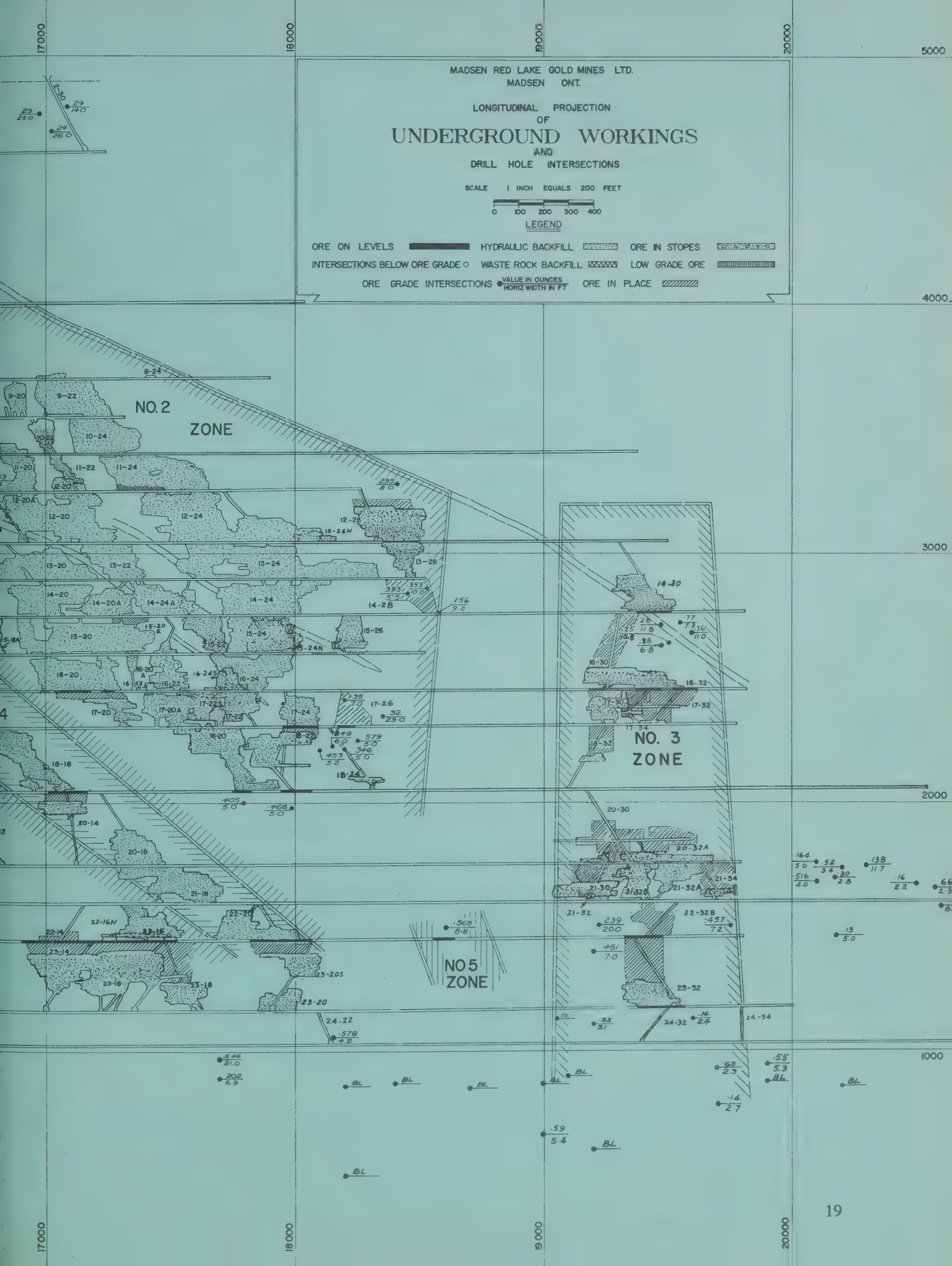
	1938-1969	1969	1968	1967
Ounces of gold produced	2,193,452.112	60,579.378	56,196.218	70,032.51
Tons of ore milled	7,455,094	238,473	265,268	277,566
Recovery value per tons milled	\$ 10.54	\$ 9.66	\$ 8.08	\$ 9.60
Average price of gold per ounce	\$ 35.66	\$ 37.70	\$ 37.70	\$ 37.70
Income from gold and silver	\$ 78,603,852.10	\$ 2,302,950.62	\$ 2,141,924.67	\$ 2,665,637.71
Operating and marketing costs	\$ 60,834,194.98	\$ 2,645,183.27	\$ 2,699,063.09	\$ 2,731,293.91
Operating profit	\$ 17,769,667.12	\$ (342,232.65)	\$ (557,138.42)	\$ (65,656.24)
Sundry income	\$ 964,865.14	\$ 136,157.95	\$ 69,762.05	\$ 82,915.90
Emergency gold mining assistance	\$ 7,061,700.00	\$ 622,000.00	\$ 577,400.00	\$ 630,000.00
Provision for taxes	\$ 3,955,719.99	—	—	\$ 17,000.00
Provision for depreciation	\$ 5,642,738.28	\$ 109,459.71	\$ 128,460.65	\$ 156,829.61
Net earnings	\$ 15,361,423.31	\$ 305,465.59	\$ (38,437.02)	\$ 473,430.07
Net earnings per ton	\$ 2.06	\$ 1.28	\$ (.14)	\$ 1.70
Net earnings per share	\$ 4.39	\$.09	\$ (.01)	\$.14
Cash profits less net capital expenditure	\$ 13,411,592.12	\$ 269,972.64	\$ 29,755.34	\$ (76,020.21)
Dividends paid	\$ 10,339,905.24	—	—	\$ 349,952.80
Dividends paid per share	\$ 2.955	—	—	\$.10
Percentage of dividends paid to cash profits less net capital expendi- ture	77.10	—	—	—
Additions to fixed assets	\$ 5,974,931.40	\$ 36,371.63	\$ 15,783.16	\$ 63,398.61
AT END OF YEAR:				
Fixed assets at cost	\$ 5,974,931.40	\$ 5,974,931.40	\$ 5,974,856.86	\$ 5,934,518.47
Fixed assets less accumulated depreciation	\$ 437,838.82	\$ 437,838.82	\$ 513,842.63	\$ 627,326.60
Working capital	\$ 2,665,733.73	\$ 2,665,733.73	\$ 2,392,720.14	\$ 2,325,952.24
Number of employees	270	270	262	296

LAKE GOLD MINES LIMITED

Operating Story

1966	1965	1964	1963	1962	1961	1960
69,999.031	87,632.198	94,868.822	107,130.856	100,877.831	106,096.338	119,803.749
246,505	292,681	305,823	306,247	311,705	301,031	306,377
\$ 10.78	\$ 11.36	\$ 11.78	\$ 13.28	\$ 12.17	\$ 12.57	\$ 13.34
\$ 37.73	\$ 37.73	\$ 37.75	\$ 37.75	\$ 37.42	\$ 35.52	\$ 34.20
\$ 2,657,165.51	\$ 3,326,452.29	\$ 3,603,396.77	\$ 4,067,473.77	\$ 3,794,610.80	\$ 3,784,106.81	\$ 4,088,904.32
\$ 2,656,484.09	\$ 2,981,326.38	\$ 3,388,586.47	\$ 3,423,769.72	\$ 3,465,624.84	\$ 3,401,069.55	\$ 3,210,400.66
\$ 681.42	\$ 345,125.91	\$ 214,810.30	\$ 643,704.05	\$ 328,985.96	\$ 383,037.26	\$ 878,503.66
\$ 60,752.87	\$ 37,349.46	\$ 53,515.64	\$ 45,980.74	\$ 51,481.97	\$ 41,808.47	\$ 41,546.85
\$ 625,000.00	\$ 585,000.00	\$ 695,000.00	\$ 454,000.00	\$ 685,000.00	\$ 590,000.00	\$ 140,000.00
\$ 65,000.00	\$ 86,500.00	\$ 147,500.00	\$ 212,000.00	\$ 178,500.00	\$ 128,700.00	\$ 121,800.00
\$ 180,025.92	\$ 202,098.68	\$ 222,488.06	\$ 247,703.41	\$ 229,047.69	\$ 236,473.65	\$ 252,506.11
\$ 441,408.37	\$ 678,876.69	\$ 593,337.88	\$ 683,981.38	\$ 657,920.24	\$ 649,672.08	\$ 685,744.40
\$ 1.79	\$ 2.32	\$ 1.94	\$ 2.23	\$ 2.11	\$ 2.16	\$ 2.24
\$.13	\$.19	\$.17	\$.20	\$.19	\$.19	\$.20
\$ 447,161.85	\$ 696,200.34	\$ 684,994.72	\$ 579,219.65	\$ 639,998.22	\$ 622,599.96	\$ 708,239.54
—	\$ 262,464.60	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 699,905.60
—	\$.075	\$.15	\$.15	\$.15	\$.15	\$.20
—	\$ 37.78	\$ 76.63	\$ 82.02	\$ 82.02	\$ 84.31	\$ 98.82
\$ 80,476.00	\$ 112,695.29	\$ 121,586.66	\$ 319,729.06	\$ 189,490.06	\$ 172,343.80	\$ 156,946.04
\$ 5,870,830.43	\$ 5,790,354.43	\$ 5,677,659.14	\$ 5,556,072.48	\$ 5,236,343.42	\$ 5,046,853.36	\$ 4,874,509.56
\$ 720,103.71	\$ 808,794.71	\$ 889,952.23	\$ 990,813.63	\$ 916,190.77	\$ 945,894.59	\$ 1,010,024.44
\$ 2,401,972.51	\$ 1,954,810.66	\$ 2,119,844.67	\$ 1,972,424.57	\$ 1,942,145.86	\$ 1,864,076.84	\$ 1,791,406.08
296	348	365	424	425	427	424





MADSEN RED LAKE GOLD MINES LTD.
MADSEN ONT.

LONGITUDINAL PROJECTION
OF
UNDERGROUND WORKINGS
AND
DRILL HOLE INTERSECTIONS

SCALE 1 INCH EQUALS 200 FEET



LEGEND

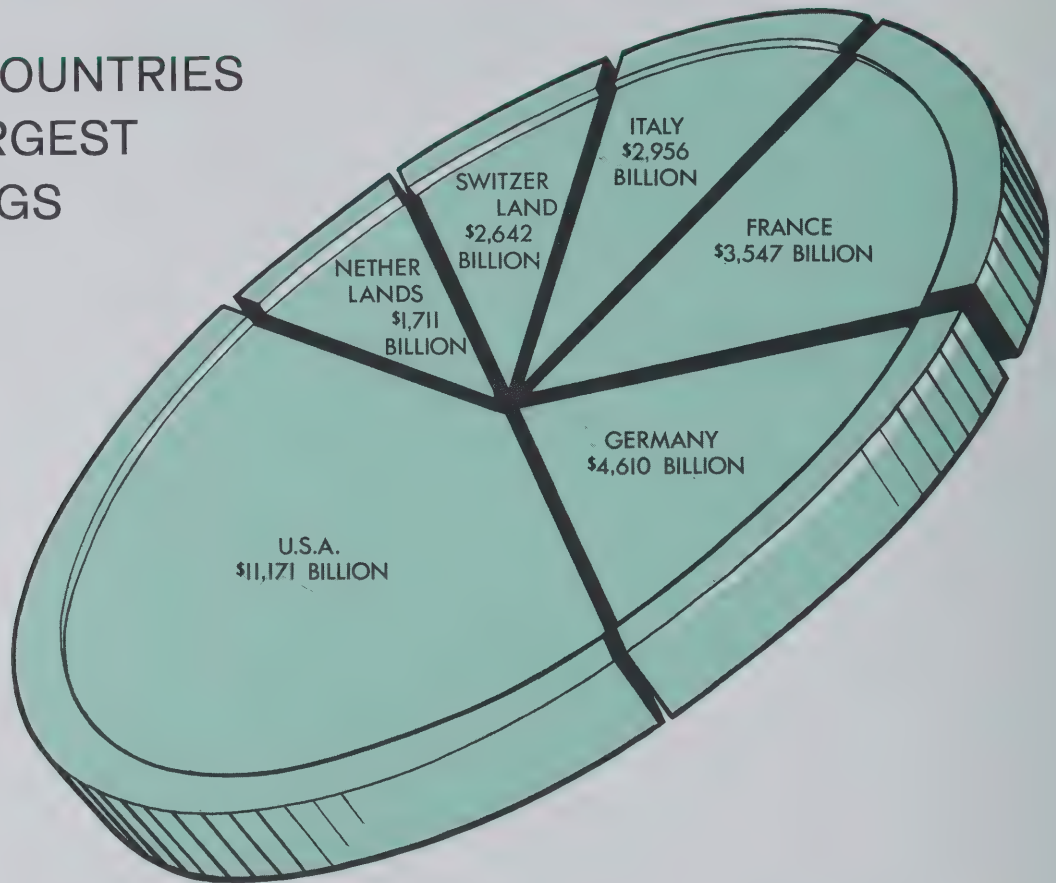
- ORE ON LEVELS HYDRAULIC BACKFILL ORE IN STOPES
INTERSECTIONS BELOW ORE GRADE WASTE ROCK BACKFILL LOW GRADE ORE
ORE GRADE INTERSECTIONS VALUE IN OUNCES
HORIZ. WIDTH IN FT. ORE IN PLACE

NO. 2
ZONE

NO. 3
ZONE

NO. 5
ZONE

6 WESTERN COUNTRIES WITH THE LARGEST GOLD HOLDINGS



THE HOARDERS

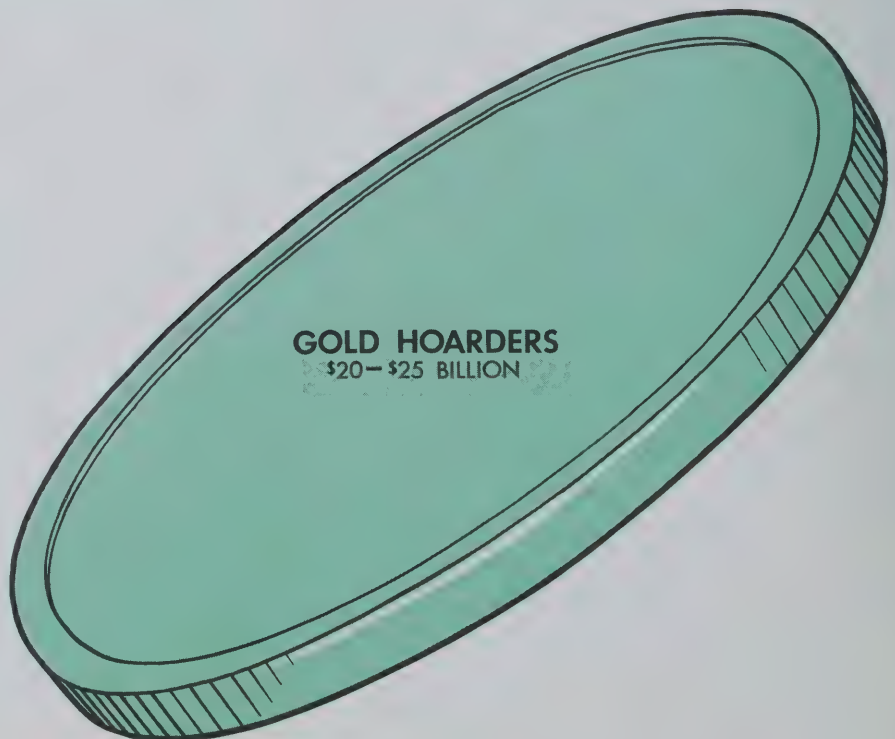
The Indian peasant woman with gold bracelets on her arm and a nugget in her nose realizes that in hard times the village money lender may demand gold as security for a loan. But India isn't the only destination for smuggled gold. Brazil provides a big market, and citizens of Japan, Communist China and the nations of Southeast Asia also turn to the smugglers.

Moreover, hoarding is legal in nations like West Germany, Switzerland and France. Deutsche Gold-und-Silber-Scheideanstalt (Degussa) in Frankfurt estimates that West German hoarders have \$1.2 billion worth of gold. In France, more than \$5 billion worth of gold is in private hands, only \$1.1 billion less than the French Government holds.

Experts estimate that \$80 billion to \$85 billion worth of gold has been mined throughout recorded history, over three quarters of it in this century. About \$43 billion is in central banks, government treasuries and international institutions. Another \$20 billion to \$25 billion is estimated to be in private hands awaiting hard times or currency devaluations.

The hoarders appear to be gaining ground. In 1967 central banks' holdings declined somewhat. All of the approximately 41 million fine ounces of gold produced in that year went to private holders and industrial users.

First National City Bank estimates that at least \$2.5 billion worth of gold went into private hoards and industrial use in 1967, \$1 billion more than in 1966.



An excerpt from an article entitled "The Gold Hustlers" by Ray Vicker, Staff Reporter of the Wall Street Journal.

GOLD

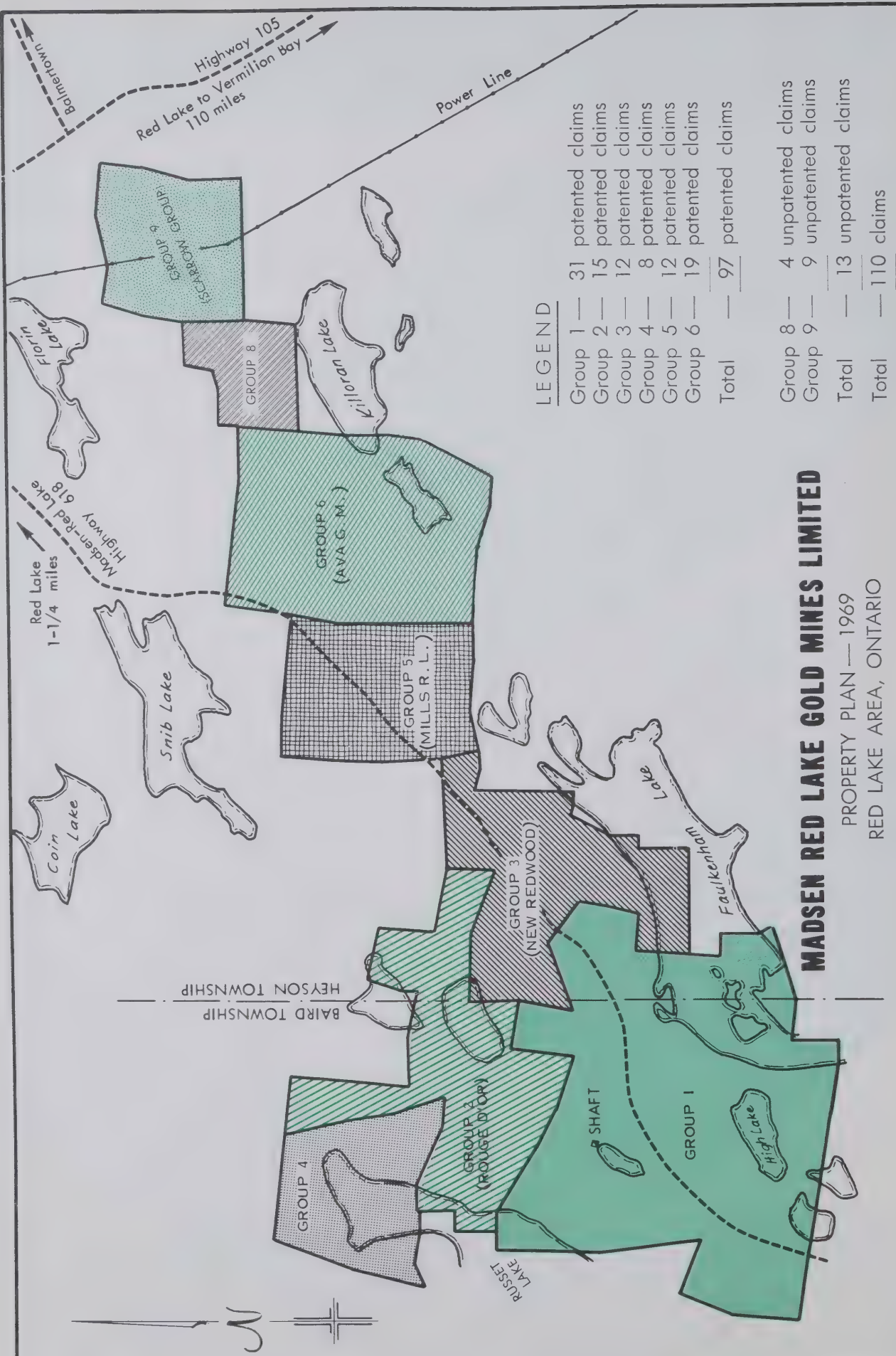
The Gold article which appeared in the Madsen Red Lake Annual Report for 1968, was concluded as follows:

"A cure to the world monetary problem must be preceded by a return of confidence in the dollar. In essence, the new Administration would appear to have only two major options open to it to achieve this purpose:

- (a) A drastic curbing of inflation which, however, would not be politically feasible. Not only would it be extremely unpopular both with private enterprise and labour, but inevitably it would lead the country into a depression. Governments never come to grips with inflation because deflationary programs cause an increase in unemployment.
- (b) Raising the price of gold (gold is in terms of paper currencies, the most undervalued commodity), to a realistic level, simultaneously, with the world's leading industrial nations and in fact all members of the International Monetary Fund. Although such action would constitute no cure-all, it seems to rate as the most painless and sensible solution both for the U.S. government as well as for its foreign creditors with their heavy claims on the slim U.S. gold reserves. The U.S. dollar would not depreciate in terms of the other leading currencies while the U.S. would gain valuable time in putting its financial house in order. The panicky and disruptive international financial crises would subside and in a calmer atmosphere the basis for an improved structure could then be laid."

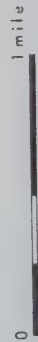
North American governments are now seriously attempting to control inflation. The prediction quoted in (a) above is therefore on test. Should the usual methods of high interest rates and voluntary action on the part of government, labour and business be unsuccessful, the result will probably be wage and price controls, followed by inevitable black markets and finally with no alternative options remaining, events will cause item (b) quoted above to occur.

P. H. McCLOSKEY,
President.



MADSEN RED LAKE GOLD MINES LIMITED

PROPERTY PLAN — 1969
RED LAKE AREA, ONTARIO



GENERAL SUMMARY OF EXPENDITURE FOR 1969

Wages and salaries:

Wages and salaries	\$ 1,601,180.37	
Pension plan	15,045.83	
Holidays with pay	37,842.22	\$ 1,654,068.42
		<hr/>

Contracts:

Fathom Drilling Limited	60,821.94
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Supplies:

Hardware	18,047.53	
Iron and steel	17,415.17	
Tungsten carbide bits and steel	26,108.63	
Grinding balls	36,785.89	
Wire and cable	38,369.29	
Electrical supplies	16,634.28	
Pipe fittings and hose	7,550.57	
Rock drills and repairs	22,054.16	
Crusher repairs	11,037.25	
Mill repairs	20,115.36	
Building supplies	21,057.09	
Miscellaneous supplies and services	126,866.07	
Power	172,676.96	
Timber	35,397.48	
Explosives	39,051.95	
Chemicals	80,740.41	
Transportation	52,408.99	
Fuel oil, gasoline, and lubricants	21,930.60	
Engineering and geological supplies	4,951.83	
Diamond drill bits and repairs	3,392.13	
Food products	57,790.38	
Equipment	20,238.71	
Buildings and houses	12,078.44	862,699.17
		<hr/>

Insurance:

Fire, public liability, business interruption, bond, bullion, boiler and vehicle	25,847.67	
Sun Life and Health Insurance	28,537.84	
Workmen's Compensation and Silicosis	158,805.07	
Unemployment Insurance and Canada Pension	35,083.22	248,273.80
		<hr/>
		<u>\$ 2,825,863.33</u>

